

## Metropolitan Transportation Commission Programming and Allocations Committee

October 4, 2006

Item Number 4a

### Resolution No. 3615, Revised, and Resolution No. 3723, Revised

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**Subject:** Revision to the transit element of the second and third cycle STP Transit Capital Shortfall programming policy to direct \$14 million to AC Transit's Bus Replacement project.

**Background:** The Transportation 2030 policy adopted by the Commission in December 2003 prioritizes funding for transit capital rehabilitation. In April 2004, the Commission adopted a policy for programming the Second Cycle STP/CMAQ funds, which directed \$54.8 million for the two-year period FY 2005-06 and FY 2006-07 to fund the region's highest priority transit capital shortfall. In December 2005, the Commission adopted a policy for programming the Third Cycle STP/CMAQ funds, which directed \$64 million in FY 2007-08 and FY 2008-09 to the transit capital shortfall.

This action amends the second and third cycle policies to direct approximately \$14 million in second and third cycle STP transit capital shortfall funds to AC Transit's Bus Replacement project, which will allow AC Transit to retire 71 1997 buses early. AC Transit made a request to the Federal Transit Administration (FTA) and MTC to retire the federally funded buses prior to the end of their federally established useful life, because AC Transit currently exceeds its 20% federal spare ratio requirement and wishes to reconfigure its fleet to address recent service changes. FTA has concurred with AC Transit's request providing that AC Transit transfer FTA's interest in the retiring buses to another FTA funded project.

AC Transit also requested \$14 million to procure 50 buses in 2006 instead of replacing the 71 buses in the federal program in 2009, a net reduction in their fleet of 21 buses. However, the buses AC Transit proposes to purchase do not meet the federal Buy America provision, and therefore cannot be procured using the STP transit capital shortfall funds. To address this issue, MTC staff is recommending that \$14 million in second and third cycle STP transit capital shortfall funds be directed to an eligible Alameda County Congestion Management Agency (ACCMA) project. In exchange, ACCMA has directed \$14 million in non-federal STIP funds to AC's Transit's bus purchase.

The proposal will save the region approximately \$14.3 million in future FTA funds because AC Transit has reduced the number of buses it needs, and the proposed bus costs are lower than the region's bus cost standard. Furthermore, this action would aid AC Transit in reconfiguring its fleet. The staff proposal is supported by members of the Bay Area Partnership's Technical Advisory Committee and the Transit Finance Working Group.

**Issues:** None.

**Recommendation:** Refer Resolution No. 3615, Revised, and Resolution No. 3723, Revised, to the Commission for approval.

**Attachments:** MTC Resolution No. 3615, Revised, and MTC Resolution No. 3723, Revised

Date: April 28, 2004  
W.I.: 1512  
Referred by: PAC  
Revised: 01/26/05-C  
04/27/05-C  
10/25/06-C

### ABSTRACT

Resolution No. 3615, Revised

This resolution adopts the policy and procedures for the Second Cycle Program, in advance of the reauthorization of the Transportation Equity Act of the 21<sup>st</sup> Century (TEA-21). The policy and procedures contain the project categories that are to be funded with FY 2005-06 and FY 2006-07 Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) Program and Transportation Enhancement Activities (TE) Funds for inclusion in the forthcoming 2005 Transportation Improvement Program (TIP).

The resolution includes the following attachments:

Attachment A – Second Cycle Programming Policies

This resolution was revised on January 26, 2005 to modify the Second Cycle STP programming policy pertaining to the Transit Capital Shortfall.

This resolution was revised on April 27, 2005 to redirect \$2.5 million in FY 05-06 CMAQ funding from the Air Quality Management Strategies reserve for the Regional Express Bus program to a new program, the Lifeline Transportation program.

This resolution was revised on October 25, 2006 to redirect \$9.4 million in Second Cycle STP funds to AC Transit's Early Bus Replacement project.

Further discussion of the Second Cycle Program and future STP, CMAQ, and TE is contained in the MTC Executive Director's Memoranda to the Programming and Allocations Committee dated April 14, 2004, January 12, 2005, and April 13, 2005; and the Programming and Allocations Committee Memorandum dated April 14, 2004, January 12, 2005, April 13, 2005, and October 4, 2006.

***This section is an excerpt from Attachment A to MTC Resolution No. 3615. The section “Transit Capital Shortfall” outlines the relevant addendum language to the Second and Third Cycle STP programming cycle.***

**Transit Capital Shortfall:** According to the findings in Phase 1 of Transportation 2030 (T-2030), the Federal Transit Administration (FTA) Formula funds and available local revenues will fund less than \$10 billion of the \$11 billion in score 16 transit capital projects during the T-2030 period – leaving a shortfall of \$1.3 billion. Through its T-2030 policies, the Commission made a commitment to dedicate regional discretionary funds, including STP funds, towards these remaining transit rehabilitation needs (for details on the specifications of Score 16 projects, please refer to the transit capital priorities process). Table 1, below, shows the T-2030 shortfall by operator.

***Table 1: Transportation 2030 Score 16 Shortfall by Operator***

	<u>AC Transit</u>	<u>BART</u>	<u>GGBHTD</u>	<u>Vallejo</u>	<u>Total</u>
\$s (In thousands)	143,386	1,073,005	36,103	43,395	1,295,889
% of Shortfall	11.1%	82.8%	2.8%	3.3%	100%

In April 2004, the Commission reserved the annualized shortfall amount to be met by STP funds, or \$54.8 million in total, to meet this transit commitment. At the time, the Commission did not stipulate how the funds would be distributed to the transit properties, other than to condition that the programming would be dependent on the FTA formula fund distribution.

Since that time, there has been agreement to apportion the transit funds in accordance with the T-2030 shortfalls, with two significant caveats. First, the amount directed to BART will be used to meet their future fleet replacement needs – see additional detail below. Second, the residual amount will be directed to those operators with a score 16 shortfall after the FY 2005-06 and FY 2006-07 FTA formula funds have been programmed, with priority given to those operators that were identified as having a T-2030 shortfall.

In October 2006, the Commission amended this policy to direct the residual amount to AC Transit’s Early Bus Replacement project. AC Transit will replace 71 federal buses scheduled for replacement in 2009 with 50 buses in 2006. The difference will be a net reduction to their fleet and not eligible for replacement through Transit Capital Priorities. The buses AC Transit proposes to purchase do not currently meet the federal Buy America provision. Therefore, the STP funds will be directed to the Alameda County Congestion Management Agency (ACCMA) for an STP-eligible capital project. In exchange, ACCMA has programmed the AC Transit bus project using non-federal STIP funds. The table below identifies the funding targets for the transit capital element.

Operator	Funding Targets	
	\$	%
BART	45,361,000	82.8%
ACCMA (AC Transit's Early Bus Replacement Swap)	9,423,000	17.2%
Total	54,784,000	100.0%

*Financing the BART Fleet Replacement*

The T-2030 capital shortfall analysis revealed that BART's shortfall was driven by their fleet replacement project, which is scheduled for replacement beginning in FY 2013. To insure that funds will be available for the fleet replacement project, MTC in conjunction with BART will create a sinking fund so that the funds will be held in reserve until BART's fleet is eligible for replacement. However, because the STP funds have a three-year expiration date, the Commission will direct the STP funds to fund BART's Transbay Seismic Retrofit Program, and hold in reserve either Regional Measure 2 or BART's Measure AA general obligation bond proceeds—funds that would have otherwise been dedicated to BART's Transbay Seismic Retrofit Program—for the fleet replacement project.

It should be noted that any creative financing mechanism that uses RM2 funds will not change the amount of funding allocated to RM2 projects in the voter approved expenditure plan or the schedule for delivering those projects.

Date: December 21, 2005  
W.I.: 1512  
Referred by: PAC  
Revised: 10/25/06-C

### ABSTRACT

Resolution No. 3723

This resolution adopts the Project Selection Criteria, policies and programming for the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, (SAFETEA) Third Cycle, Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) Program. The Project Selection Criteria contains the project categories that are to be funded with FY 2007-08 and FY 2008-09 STP/CMAQ funds to be amended into the currently adopted 2005 Transportation Improvement Program (TIP) and subsequent 2007 TIP.

The resolution includes the following attachments:

- Attachment A – Third Cycle STP/CMAQ Project Selection Criteria, and Programming Policy
- Attachment B – Third Cycle Project List

This resolution was revised on October 25, 2006 to direct approximately \$4.6 million in Third Cycle STP funds to AC Transit's Early Bus Replacement project.

Further discussion of the Third Cycle STP/CMAQ Project Selection Criteria and Program is contained in the MTC Executive Director's Memorandum to the Programming and Allocations Committee dated December 14, 2005, and the Programming and Allocations Committee Memorandum dated December 14, 2005 and October 4, 2006.

***This section is an excerpt from Attachment A to MTC Resolution No. 3723. The section “Transit Capital Shortfall” outlines the relevant addendum language to the Second and Third Cycle STP programming cycle.***

***4b. Transit Capital Rehabilitation Shortfall***

(\$64 million) This program funds transit rehabilitation projects and is being held in reserve pending discussions by the Partnership and among general managers of transit properties in the Bay Area. The Third Cycle Programming Policy will be amended to reflect the consensus on how this funding should be applied to transit rehabilitation needs in the region. Staff is anticipated to bring the project selection policies for this program back to the Commission for consideration in Fall 2006.

In October 2006, the Commission amended this policy to direct approximately \$4.6 million of the funds held in reserve for the transit capital rehabilitation shortfall to AC Transit's Bus Replacement project. AC Transit will replace 71 federal buses scheduled for replacement in 2009 with 50 buses in 2006. The difference will be a net reduction to their fleet and not eligible for replacement through Transit Capital Priorities. The buses AC Transit proposes to purchase do not currently meet the federal Buy America provision. Therefore, the STP funds will be directed to the Alameda County Congestion Management Agency (ACCMA) for an STP-eligible capital project. In exchange, ACCMA has programmed the AC Transit bus project using non-federal STIP funds.

The table below identifies the funding targets for the transit capital shortfall element.

Operator	Funding Targets	
	\$	%
ACCMA (AC Transit's Early Bus Replacement Swap)	4,577,000	7.2%
To Be Determined	\$59,432,000	92.8%
Total	\$64,000,000	100.0%